

California's 2011-2012 Budget: Reductions to Aging and Long-Term Care Programs

On Thursday, March 24, 2011, Governor Brown signed into law a series of budget-related measures, which consist of significant cuts to health and human services programs, including those that serve seniors and people with disabilities.

Understanding the Problem

On Thursday, March 24, 2011, Governor Brown signed into law a series of budget-related measures (referred to as “trailer bills”) recently approved by the California Legislature, which are estimated to reduce the existing \$26.6 billion budget deficit by \$11.2 billion through spending reductions and other modifications. The program reductions outlined in the signed trailer bills consist of significant cuts to health and human services programs, including those that serve seniors and people with disabilities.¹⁻⁵

Understanding the Process

Budget “trailer bills” typically follow or trail the main budget bill after it is passed and signed into law by the governor. However, the main budget bill (SB 69) has not been sent to the governor. Democrats and Republicans continue to deliberate on how to close the remaining budget deficit, either by additional reductions, revenue enhancements or other program changes. To this end, further cuts could be proposed and adopted beyond what are reflected in this document. Governor Brown is also expected to release his May Revision of the 2011-2012 budget in the next few months, which will reflect updated state spending and revenue estimates as well as additional budget modifications based on these figures.

2011-2012 Budget: Program Reductions Impacting Seniors

In-Home Supportive Services (IHSS)

IHSS provides in-home assistance to low-income adults who are over 65 years of age, blind, or disabled, and to children who are blind or disabled. IHSS served approximately 439,944 individuals in FY 2009-10.⁶

IHSS Reductions

- **Reduction in Hours:** In January, the governor proposed an 8.4 percent reduction to assessed hours for all IHSS recipients for a General Fund (GF) savings of \$127.5 million in 2011-12.
 - ▶ The Legislature rejected this proposal.

- **Eliminate Domestic and Related Services for Certain Recipients:** The governor's proposed budget sought to eliminate domestic and related services (e.g., housework, shopping for food, meal preparation and cleanup, and laundry) for consumers living with their personal care attendant and for consumers living in any shared living arrangement, as well as recipients under eighteen years of age who live with a parent who is able and available to provide these services. This proposal would have impacted more than 300,000 IHSS recipients, for a GF savings of \$236.6 million in 2011-12.
 - ▶ The Legislature rejected this proposal.
- **Eliminate IHSS Hours for Recipients without Physician Certification:** This proposal conditioned the provision of IHSS services upon a physician's written certification that personal care services are necessary to prevent out-of-home care. The budget proposal indicated that eliminating IHSS services for recipients who do not obtain physician certification would impact approximately 43,000 recipients, providing a GF savings of \$120.4 million in 2011-12.
 - ▶ The Legislature approved this proposal. The governor signed this measure in trailer bill SB 72, Chapter 8, Statutes of 2011.
- **Eliminate State Funding for IHSS Advisory Committees:** The governor proposed to eliminate all state funding for IHSS advisory committees (representing a GF savings of \$1.6 million in 2011-12), with counties having the option to continue funding advisory committee operations. The IHSS advisory committees are responsible for submitting program recommendations to county boards of supervisors.
 - ▶ The Legislature modified this proposal, reducing \$1.4 million GF from the IHSS Advisory Committees and eliminating the mandate. It also retained \$3,000 for each of the 56 Public Authorities (PA) to support the continued operation of Advisory Committees within each PA budget. The governor signed this measure in trailer bill SB 72, Chapter 8, Statutes of 2011.

New IHSS Program Savings

The following proposals and program savings were not included in the governor's proposed January budget, but have since been identified and authorized in trailer bill SB 72, Chapter 8, Statutes of 2011.

- **Caseload Savings:** \$83.4 million GF in IHSS savings has been identified due to a recalculation of IHSS caseload both in 2010-11 and 2011-12, based on more recent data that project numbers of IHSS recipients and hours paid.
- **Community First Choice Option:** \$128 million in GF savings has been identified due to the assumption that the administration will apply and qualify for the new federal Community First Choice State Plan Option that provides community-based personal attendant services and supports to individuals meeting nursing facility eligibility criteria. This option would provide a six percent increase in California's Federal Medical Assistance Percentage (FMAP), the amount that the federal government matches for each state dollar budgeted for the MediCal program (California's Medicaid Program).

- **Medication Management:** A new pilot program has been authorized to assist with medication management for specified IHSS recipients, for a net annual savings of \$153.1 million GF. If these savings are not realized through this pilot program, then the Legislature may pass legislation to arrive at those savings in the 2012-13 fiscal year. If no further mechanism is put in place to achieve savings, and if the pilot fails to achieve all of the savings, then the administration may impose an across-the-board reduction in authorized IHSS hours in order to achieve the balance of the 2012-13 savings.

Adult Day Health Care (ADHC)

ADHC is a community-based day care program that provides health, therapeutic, and social services to persons at-risk of nursing home placement. In FY 2008-09, ADHC served 47,345 individuals.⁷

- **Program Elimination:** The governor proposed eliminating the ADHC program, for a GF savings of \$1.5 million in 2010-11 and \$176.6 million GF savings in 2011-12.
 - ▶ The Legislature approved the elimination of ADHC as a Medi-Cal optional state plan benefit, but modified the proposal to cut \$90 million GF, with the intent to create a new, more narrowly-defined Medicaid waiver program called Keeping Adults Free from Institutions (KAFI). The governor signed this measure in trailer bill AB 97, Chapter 3, Statutes of 2011, providing \$85 million GF to fund the new KAFI program.

Multipurpose Senior Services Program (MSSP)

MSSP provides case management services for seniors age 65 and older who are Medi-Cal eligible and who qualify for placement in a nursing facility but who wish to remain in the community. In addition to case management services, MSSP funds can purchase adult day care, housing assistance, chore and personal care assistance, protective supervision, respite, transportation, meal services, social services, and communications services. In FY 2008-09, MSSP served approximately 13,600 individuals.⁷

- **Program Elimination:** The governor proposed eliminating MSSP for a GF savings of \$19.9 million in 2011-12.
 - ▶ The Legislature rejected this proposal and instead reduced the program by up to \$2.5 million GF, directing the administration to consult with the federal government about how to achieve the savings operationally and minimize any impacts on the number of individuals served. This program reduction is included in the main budget bill (SB 69) but, at press time, it had not been signed by Governor Brown. Therefore, this program reduction is not in effect at this time.

Supplemental Security Income/State Supplementary Payment (SSI/SSP)

SSI/SSP is a federal/state income program that provides a monthly cash benefit to low-income aged, blind, disabled individuals or couples. In California, the SSI payment is augmented with a State Supplementary Payment (SSP) grant. These cash grants assist recipients with basic needs and living expenses.

- **Reduce SSI/SSP Grants for Individuals to the Federal Minimum:** This proposal reduces monthly SSP grants for individuals to the federally required minimum payment standard. This proposal would reduce the maximum monthly SSI/SSP cash grant for individuals by \$15 per month (from \$845 to \$830), beginning June 1, 2011 for an estimated GF savings of \$14.7 million in 2010-11 and \$177.3 million in 2011-12.
 - ▶ The Legislature approved this proposal. The governor signed this measure in trailer bill SB 72, Chapter 8, Statutes of 2011.

Medi-Cal Reductions

Medi-Cal is the federal-state jointly funded program that provides health care services for low-income Californians. The governor's budget proposed a range of Medi-Cal reductions, including the following:

- **Utilization Controls:** The governor proposed setting a maximum annual benefit dollar cap on hearing aids (\$1,510); durable medical equipment (\$1,604); incontinence supplies (\$1,659); urological supplies (\$6,435); and wound care (\$391). In addition, the governor proposed limits on prescriptions (except life saving drugs) to six per month and limits on the number of doctor visits to 10 per year.
 - ▶ The Legislature rejected proposals for caps on prescriptions, durable medical equipment, and medical supplies. However, the Legislature approved reductions of \$62 million GF by imposing the cap on hearing aids, imposing a "soft cap" of seven visits to physicians and clinics, and eliminating coverage for over-the-counter cough and cold products and enteral nutrition products. The governor signed this measure in trailer bill AB 97, Chapter 3, Statutes of 2011.
- **Out-of-Pocket Responsibility:** The governor's budget proposed a \$5 co-payment on physician, clinic, dental, and pharmacy services (\$3 on lower cost preferred drugs) for savings of \$294.4 million GF in 2011-12. The proposal also included a \$50 co-payment on emergency room services (GF savings of \$111.5 million in 2011-12) and a \$100/day and \$200 maximum co-payment for hospital stays (GF savings of \$151.2 million in 2011-12).
 - ▶ The Legislature approved this proposal. The governor signed this measure in trailer bill AB 97, Chapter 3, Statutes of 2011.
- **Provider Rate Reduction:** The governor's budget proposed to reduce provider payments by 10 percent for physicians, pharmacy, clinics, medical transportation, certain hospitals, home health, and nursing facilities.
 - ▶ The Legislature approved this proposal for a savings of \$729.6 million GF. The governor signed this measure in trailer bill AB 97, Chapter 3, Statutes of 2011.

Realignment

As part of the proposed 2011-2012 budget, Governor Brown proposed to realign a range of government services to local jurisdictions, including Adult Protective Services, mental health services, and a range of others.

- ▶ At press time, the realignment proposal was pending in the Legislature for further deliberation.

References

1. California Department of Finance. 2011-12 Governor's Budget Summary. 2011; <http://www.ebudget.ca.gov/pdf/BudgetSummary/FullBudgetSummary.pdf>. Accessed March 31, 2011.
2. California State Assembly. Floor Report, 2011-2012 Budget, Updated as of March 18. 2011; <http://www.assembly.ca.gov/acs/newcomframeset.asp?committee=4>. Accessed March 31, 2011.
3. Committee on Budget. AB 97, Chapter 3, Statutes of 2011. 2011; http://info.sen.ca.gov/pub/11-12/bill/asm/ab_0051-0100/ab_97_bill_20110324_chaptered.pdf. Accessed March 24, 2011.
4. Committee on Budget and Fiscal Review. SB 72, Chapter 8, Statutes of 2011. 2011; http://info.sen.ca.gov/pub/11-12/bill/sen/sb_0051-0100/sb_72_bill_20110324_chaptered.pdf. Accessed March 24, 2011.
5. Office of Governor Jerry Brown. Governor Brown Signs Legislation. 2011. <http://www.gov.ca.gov/>. Accessed March 28, 2011.
6. California Department of Social Services. 2010.
7. State of California, Department of Aging, Long-Term Care and Aging Services Division. Statistical Fact Sheets and Program Narratives. 2010; http://www.aging.ca.gov/stats/documents/State_Level_Statistical_Fact_Sheets.xls. Accessed March 31, 2011.

For more information contact:

The SCAN Foundation

Sarah S. Steenhausen, M.S., Senior Policy Advisor

Lisa R. Shugarman, Ph.D., Director of Policy

3800 Kilroy Airport Way, Suite 400, Long Beach, CA 90806

(888) 569-7226 | info@TheSCANFoundation.org

www.TheSCANFoundation.org

